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Department
for Education

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Changes to the apprenticeship funding system

We're making changes to the way apprenticeship funding works, including:

- introducing the [apprenticeship levy](#)
- introducing the [apprenticeship service](#) - this is an online service that allows employers to choose and pay for apprenticeship training more easily
- introducing a new 'co-investment' rate to support [employers who don't pay the levy](#) ('co-investment' is when employers and government share the cost of training and assessing apprentices)

Apprenticeships are a devolved policy. This means that authorities in each of the UK nations manage their own apprenticeship programmes, including how funding is spent on apprenticeship training.

If you're an employer with operations in Scotland, Wales or Northern Ireland, you may also want to contact your apprenticeship authority:

- [Scotland](#)
- [Wales](#)

Northern Ireland

Read [‘Apprenticeship funding from May 2017’](#) for full details of what is changing.

Pay the apprenticeship levy

If you're an employer with a pay bill over £3 million each year, you must pay the apprenticeship levy from 6 April 2017. Read guidance on [how to pay the apprenticeship levy](#).

You will report and pay your levy to HMRC through the [PAYE process](#).

The levy will not affect the way you fund training for apprentices who started an apprenticeship programme before 1 May 2017. You'll need to carry on funding training for these apprentices under the terms and conditions that were in place at the time the apprenticeship started.

Use the apprenticeship service

Register to use the service

If you are a levy-paying employer, you can now [create an account](#) on the apprenticeship service to:

- receive levy funds for you to spend on apprenticeships
- manage your apprentices
- pay your training provider
- stop or pause payments to your training provider

If you're not a levy-paying employer, you won't be able to register for an apprenticeship service account until at least 2018. See more [guidance for non-levy paying employers](#).

What you can buy with funds in your apprenticeship service account

You can only use funds in your account to pay for apprenticeship training and assessment for apprentices that work at least 50% of the time in England, and only up to the [funding band maximum](#) for that apprenticeship.

If the costs of training and assessment go over the [funding band maximum](#), you will need to pay the difference with other funds from your own budget.

You can't use funds in your account to pay for other costs associated with your apprentices (such as wages, statutory licences to practise, travel and subsidiary costs, work placement programmes or the setting up of an apprenticeship programme).

Read the [apprenticeship funding rules](#) for full details of what you can and can't pay for with funds from your

apprenticeship service account.

If you have employees living in England - the 'English percentage'

The apprenticeship service only supports the English apprenticeship system. The amount of funds in each employer's account will depend on how many of their employees live in England and the proportion of their paybill paid to these employees. This is called the 'English percentage'.

HMRC calculates your 'English percentage' from the information you provide about your paybill, and uses it to put the right proportion of levy funds in your account. Your latest English percentage will be visible in your account.

Spend funds in your apprenticeship service account

To spend funds in your account, you need to:

1) Choose a training provider

There are 2 different types of apprenticeships to choose from:

- [apprenticeship standards](#) - each standard covers a specific occupation and sets out the core skills, knowledge and behaviours an apprentice will need; they are developed by employer groups known as ['trailblazers'](#)
- [apprenticeship frameworks](#) - a series of work-related vocational and professional qualifications, with workplace- and classroom-based training

To choose training:

- use the ['Find apprenticeship training'](#) service to select an approved apprenticeship training provider
- if you are using a standard, use the [register of apprenticeship assessment organisations](#) to select an approved assessment organisation.

If you're a public sector body, you will need to follow [Public Contracts Regulation 2015](#) when selecting a training provider.

2) Agree a price and payment schedule

You and your training provider must agree a total price for each apprenticeship, which includes the costs of training and assessment.

For standards this must include the cost of the end-point assessment agreed with the apprentice assessment organisation.

3) Pay for training and assessment with funds through your apprenticeship service account

Once the apprenticeship training you've bought has started, monthly payments will be taken from your service account and sent to the provider.

You will see funds entering your account each month after you have declared the levy to HMRC, and funds

leaving the account each month as you pay for training.

If you don't have enough funds in your account to pay for training in a particular month, we will ask you to share the remaining cost of training and assessing your apprentices for that month with the government. We call this 'co-investment'.

With 'co-investment', you will pay 10% of the outstanding balance for that month, and the government will pay the remaining 90% up to the [funding band maximum](#). If your costs go over the maximum, then you must pay the difference out of your own budget.

Share funds with another employer

If you are in a group of companies paying the levy together, your group can collect their funds into a single account. Read more about [how to register connected organisations](#).

From April 2018, we plan to allow levy-paying employers to transfer funds to other employers, through the apprenticeship service. They can transfer funds to any employer, including smaller employers in their supply chain, and apprenticeship training agencies. Levy-paying employers will initially be able to transfer up to 10% of the annual value of funds entering their apprenticeship service account.

Levy-paying employers who wish to transfer funds will have to agree the apprenticeships that are being funded by a transfer with the employer receiving the funds. Employers receiving transferred funds will only be able to use them to pay for training and assessment for apprenticeship standards. Employers will not be able to use them to pay for training and assessment for apprenticeship frameworks.

Employers will need to be aware of 'state aid' rules when receiving funds from other organisations. The maximum amount that an organisation can receive through a transfer of funds is €2 million over 3 years. This is because of 'de minimis' funding rules - see [guidance on 'de minimis' support](#).

In early 2018, there will be more information about how transferring funds between organisations will work in practice, including details on how we will manage its introduction to ensure a smooth process for employers.

Top-ups and expiry of funds

The government will automatically add 10% to the funds in your apprenticeship service account. We will apply this 10% top-up monthly, at the same time the funds enter your account.

Funds that you don't use will expire 24 months after they enter your account. Whenever a payment for training is taken from your account, the service always uses the funds that entered your account first. Your apprenticeship service account will let you know when funds are due to expire.

Changes for employers who don't pay the levy

Support with apprenticeship costs

Non-levy paying employers will share the cost of training and assessing their apprentices with government - this is called 'co-investment'.

From May 2017, you will pay 10% towards to the cost of apprenticeship training and government will pay the rest (90%), up to the [funding band maximum](#).

Manage your apprenticeship training and assessment

If you do not pay the levy, you won't be able to use the apprenticeship service to pay for apprenticeship training and assessment until at least 2018.

Instead, you'll need to agree a payment schedule with the provider and pay them directly for the training. The provider must prove that you have paid your contributions as a condition of government paying its contribution.

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Get in touch

If you have any questions, contact our employer helpline.

Apprenticeship employer helpline

Email

nationalhelpdesk@apprenticeships.gov.uk

Telephone

0800 0150 600

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